E.C. No. 37

ESTIMATES COMMITTEE

FORTY-FIRST REPORT
(1956-57)

MINISTRY OF COMMUNICATIONS

AIR CORPORATIONS

1. GENERAL MATTERS
   and
2. AIR INDIA INTERNATIONAL CORPORATION

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI
December, 1956

CORRIGENDA

Forty-first Report of the Estimates Committee on the Ministry of Communications.

Contents page: Page (i) Chapter VIII for 'General' read 'Miscellaneous'.

Page 28. line 5, delete 'annually'.

Page 28. Para 79, line 2, for 'Rs. 19 lakhs' read 'Rs. 10 lakhs'.

Page 30, para 85, line 2, for '749-BS' read '749-AS'.

Page 32, Para 93, line 1, for '10' read '153'.

Page 61, line 2, delete 'annually'.

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COMPOSITION OF THE ESTIMATES COMMITTEE 1956-57

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26. Shri T. B. Vittal Rao
27. Shri Y. Gadilingana Gowd

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*Resigned on the 20th November, 1956.

**Died on the 6th October, 1956.

28. Shri Jaswantraj Mehta
29. Shri A. E. T. Barrow
30. Shri Choithram Partabrai Gidwani

SECRETARIAT

Shri S. L. Shakdher—*Joint Secretary*
Shri A. R. Shirali—*Deputy Secretary*
Shri C. S. Swaminathan—*Under Secretary*

INTRODUCTION

I, the Chairman of the Estimates Committee having been authorised by the Committee to submit the report on their behalf, present this Forty-First Report on the Air Corporations. The report has been divided into two parts, (1) General Matters, and (2) Air India International Corporation. The Report on Indian Airlines Corporation —the second report on the subject—is submitted separately.

2. The Committee wish to express their thanks to officers of the Ministry of Communications and those of the Air Corporations for placing before them the material and information that they wanted in connection with the examination of the estimates. They also wish to thank the representatives of the Air Corporations for the information they gave before the Committee.

BALVANTRAY G. MEHTA,
Chairman,
Estimates Committee.

NEW DELHI;
The 13th December, 1956.

I. INTRODUCTORY

Commercial air transport commenced in India in 1932 when Messrs. Tata Sons organised an air service between Bombay and Madras, which was extended later to Karachi in the North and Colombo in the South. The following year another company, Messrs. Indian National Airways Limited, began operating an air service between Karachi and Lahore. These services were engaged mostly on the carriage of mail and relied for financial support on payments made by Government for the purpose. Between 1937 and 1939 a third company, Messrs. Air Services of India, began operating short-haul services in the Kathiawar area, with comparatively low rates of passenger fares, but could not carry on for long.

2. The basis of the services run by Tata Sons as well as by Messrs. Indian National Airways strengthened when the Empire Air Mail Scheme was introduced in 1938 since the payment for the carriage of mails under this scheme included a margin of subsidy which enabled the companies to operate the services with bigger aircraft and greater frequency. The war enabled these two companies to strengthen their position further. Their fleet of aircraft was also augmented by the loan by Government of more modern machines and payment was made for their operations on a *cost plus* basis.

3. During the war, aerodromes and air-fields were constructed throughout the length and breadth of India and consequently the advantages of air transport came prominently to the notice of the public. Considerable advance was made during this period in the technique of flying and radio communication with the result that when the war ended, flying had been established as a safe, efficient and comfortable means of transport and the trend of traffic was showing a sharp rise. About the same time a large number of twin-engined Dakota type of aircraft lying in the war surplus stocks left behind by the American forces became available at very low prices with the result that a number of new airline companies who bought these aircraft, came into existence. Of these, some 10 were given licences by the Air Transport Licensing Board to conduct scheduled operations. Though traffic continued to develop, costs also rose and it soon became apparent that some financial assistance from Government would be needed by these companies. A scheme of aid was, therefore, adopted in the shape of rebate of a portion of the duty on the petrol consumed by the airlines. At the same time, a committee was set up, under the chairmanship of the late Justice Shri G. S. Rajadhyaksha, to make an investigation into the working of the airlines. This Committee, came to the conclusion that the number of operating units in India was much greater than that required to conduct the volume of air transport available on an economic basis and that subject to certain reductions of cost and some reorganisation which they suggested, the system of operation of airlines

by private enterprise should be allowed to continue. It also estimated that by the end of 1952, there should be no need for Government to give any financial assistance to the air companies.

4. Due to keen competition and want of finance, a problem common to all private airlines in the world, the air services in India did not show any signs of improvement in spite of the rebate in petrol duty given to the airline companies. Moreover, from the point of view of defence of the country it was considered that it would be desirable to have the air services under State control. Further, in view of rapid strides in the aviation industry, it was thought that it might not be possible for private airlines in India to keep themselves equipped with the latest equipment, workshop capacity etc. which were necessary for survival of air industry. The air services were, therefore, nationalised in 1953 by an Act of Parliament.

5. The following reasons for nationalisation, were given by the Minister for Communications while introducing the Air Corporations Bill in 1953:—

"(a) The available resources in equipment, workshop capacity, technical personnel etc. could be used to maximum advantage.

(b) From the point of view of Defence requirements, operation of all air-services by a State Organisation would obviously be the most desirable arrangement as, in an emergency, it would be easier to make arrangements for the Defence Services.

(c) Air transport is a public utility service and ought to be developed in the national interest, unhampered by the paramount necessity of making a profit, which would be the overriding consideration in the private enterprise.

(d) A State Organisation would also be able to plan the future of the industry in a more comprehensive way. Rapid developments are taking place in the technique of civil air transport and only a State organisation would be large enough and have the resources to take full advantage of such technical developments."

6. In accordance with the Air Corporations Act, 1953, the two Air Corporations, *viz.*, Indian Airlines Corporation and the Air India International—one for the operation of internal air services in the country and services to adjacent countries like Burma, Ceylon and Pakistan and the other for operation of long distance international services, were constituted on the 15th June, 1953, and took over the undertakings of the air transport companies with effect from 1st August, 1953.

II. CONTROL OF CENTRAL GOVERNMENT

7. Clause 34 to 37 of the Air Corporations Act, 1953, describe the control exercised by the Central Government over the Air Corporations. The salient features of this control are as below:

(1) The Central Government has authority to issue directions to both the Corporations, in case their performance is not satisfactory.

(2) The Central Government has also authority to direct either Corporation (a) to undertake any air transport service or any other activity which the Corporation has the power to undertake, (b) to discontinue or make any change in any scheduled air transport services or other activity which it is operating or carrying on, (c) to prohibit the Corporation from undertaking any activity which it proposes to do.

It is, however, provided that if at the direction of the Central Government in the afore-mentioned manner, the Corporation has suffered loss, the Government has to re-imburse the Corporation to the extent of the loss due to the operation of that particular service or activity.

8. Prior approval of the Central Government is necessary in the following cases:

(i) Undertaking any capital expenditure for the purchase or acquisition of *any immovable property* or aircraft or any other thing at a cost exceeding Rs. 15 lakhs;

(ii) entering into a lease of any immovable property for a period exceeding five years; or

(iii) in any manner disposing of any property right or privilege having any original book value exceeding Rs. 10 lakhs.

9. Each of the Corporations has to prepare and submit to the Central Government a programme of work for each year, three months before the commencement of the financial year. If the Corporation proposes to engage in any air transport service or ancillary activities in addition to those specified in the programme submitted and a substantial alteration of the financial estimates is likely to be involved thereby, the Corporation has to submit a Supplementary programme for such service or activity. The Corporations are also required under the Act to submit at the end of each financial year a report giving an account of their activities to the Central Government which is required to be presented to both the Houses of Parliament.

10. The representatives of the Corporation and of the Government assured the Committee that there had been no interference by the Government in the affairs of the Corporation. The Committee were

informed that a few directions have so far been given by Government to the Corporations but that they related to minor matters and were necessary for facilitating the work of the Corporations. They were also informed that there has so far been no difference of opinion between the Government and the Corporations on any important issue.

11. All over the world, there have been certain special features of the development and regulation of the airline industry, which in several countries has been and continues to be motivated largely by considerations other than those of commercial profit. Mr. Oliver J. Lissitzyn wrote in 1942 as follows: "Considerations of national interest—military, political and economic—have been and for some time are likely to be the dominant factor in the development of these new means of communication and transportation". He also pointed out that the possession of well developed air transport, especially for international traffic was a factor which enhanced the prestige of a nation, at home, in its colonies and abroad. The very extent of such air transport seems to indicate that the nation is progressive, efficient and highly civilised and that it is contributing its share to the progress of mankind. Apart from the question of national prestige, the military importance of air transport has also resulted in aid and protection being given to this industry by national Governments. President Truman's Air Policy Commission stated in 1947 "the airlines have a fleet of aircraft of great value to the military service which has served in times of war. As a potential military auxiliary, the airline must be kept strong and healthy". It is, therefore, to be expected that a certain amount of regulatory control by the Government over the air-transport industry is necessary and has become a normal feature. Faced with such considerations, the losses of the industry are also subsidised by Governments, which in turn leads to further control and regulation by the Governments. The Committee, therefore, do not expect that the Indian Airlines Corporation and Air India International should function without such controls.

12. It has been noticed that there is a tendency for operating losses and subsidies to continue unchecked and for the level of activity in the industry to settle down in relation to an almost unconsciously continuing subsidy. In the words of a former economic adviser to the British European Airways Corporation *'this built-in dynamic* of self perpetuating loss is additional to the more rational reasons why air transport has been subsidised'. Having noticed the declining profits of the Air India International Corporation and the increasingly heavy losses incurred by the Indian Airlines Corporation, the Committee feel that the commercial and the economic aspects of the undertakings should receive the most urgent consideration. For this purpose, it is necessary that the authorities in charge of the undertaking should at their level proceed entirely on business and commercial principles while the authority of the Government should prevail only where over-riding considerations of national policy over commercial principles arise. Within these limits, the Corporation should not only retain its autonomy technically, but should be so constituted as to possess the business outlook.

13. The Committee find that the officials of the Government have a predominant representation in the Boards of both the Air Corporations. The presence of a non-official Chairman with vast experience of air transport industry is a redeeming feature in the Air India International, which is absent in the other Corporation. The Committee were informed that the presence of the Secretary, Ministry of Communications, was considered desirable in the early stages of nationalisation to ensure proper co-ordination between the Ministry and the Corporation. The Committee feel that this could only tend towards a blurring of the responsibilities of the Secretary which should be avoided. The presence of the Secretary to Government on the Board of a Corporation or a public utility undertaking, particularly one which runs at a loss, would only result in his becoming a party to its state of affairs and management and consequently he will find it difficult to retain an objective outlook on major issues such as the regulation and management of economic policies which a Secretary to Government should possess.

14. The Committee were also informed that since the Secretary of the Communications Ministry has to deal with bilateral agreements etc., his presence is necessary on the Board of the Corporation. They feel that this may be helpful but is by no means necessary nor does it override the other disadvantages. Every international airline requires bilateral agreements to operate in foreign countries but it does not necessarily have high Government officials on its Board of Management. Even in India, prior to nationalisation, the Air India International Ltd., did not have the Secretary, Communications Ministry on the Board of Directors.

15. The Committee have noticed an increasing tendency on the part of Government to appoint Secretariat Officials as Members of Corporations or of Boards of Directors and to expect them to perform such functions concurrently with their secretariat duties. In their Sixteenth Report, the Committee have referred to the very limited usefulness of such bodies and in their Report on the B.E.L., they have emphasised the necessity of demarcating clearly the Secretariat functions of laying down policies and the executive functions of implementing them and also the necessity to avoid associating secretariat officials with the actual execution of policies laid down by them, so as to enable them to retain the necessary objective outlook. They reiterate here the recommendations made by them in these reports.

16. As regards the presence of the Director General of Civil Aviation on the Boards of the Corporations the Committee were informed that it was considered desirable because his department provides essential service to the Air Corporations, *viz.* aerodromes, traffic control, etc. They are aware that the Air Transport Enquiry Committee had recommended that in the event of nationalisation, the Director General of Civil Aviation should be a member of the Board mainly because they thought that his presence on the Board would facilitate the discharge of his responsibilities for the development of civil air transport by shaping and influencing the decisions of the Board. They also

considered that the Director-General of Civil Aviation, if he knew the Corporation's requirements, would be able to plan the provision of ground and navigational facilities to the best advantage. At the same time, the Enquiry Committee, while making this recommendation, had laid down certain criteria for the constitution of the Board. They had emphasised that a whole time Chairman of outstanding business and administrative ability and drive, with air transport experience, should be found for the Corporations. They had also declared it essential that the Chief Executive Officer of the Corporation should be a man with vast administrative experience and with drive and intimate knowledge of air operation in its technical aspect. The Committee find that these criteria have not been observed in the constitution of the Boards of the Corporations. They feel that, as a result, there is a tendency on the part of the Corporations especially the I.A.C. to rely upon the Director-General of Civil Aviation to an extent more than is necessary and that this is likely to embarrass him as well as the Board on matters which impinge on his powers of technical and safety control over air transport operations. The Committee consider that as the guardian of the law of Civil Aviation, which he has to enforce on the Corporations, he should not share the responsibility for the conduct of affairs of the Corporations.

17. In this connection, the Committee would point out that besides being generally responsible for regulating civil aviation in the country, the D.G.C.A. is also responsible for providing landing and navigational facilities, licensing of pilots, investigation of accidents, etc. It is also observed that the healthy principles followed in keeping the Railway Inspectorate under the control of a Ministry other than the Railway Ministry, has not been followed in this case. In fact, under the present scheme, the D.G.C.A. prescribes the standards of training and qualifications for pilots while at the same time he runs the training schools, examines the trainees and gives them certificates, makes comparative technical studies of different types of aircrafts and advises in the type of aircraft to be purchased and the routes on which they are to be used while at the same time he serves as a Member of the Board which has to take a decision on that advice; becomes a party to the operation of air transport service while at the same time he controls air transport on behalf of the Government; and finally, when accidents occur, conducts enquiries, makes recommendations while at the same time he becomes a party to the implementation of those recommendations. The Committee consider this position as most unsatisfactory and recommend that immediate steps should be taken to rectify the anomalies and inconsistencies underlying such concentration of all these responsibilities in one department or officer.

III. PROPRIETY OF "CIVIL AVIATION" AND "AIR CORPORATIONS" BEING DEALT WITH IN THE MINISTRY OF COMMUNICATIONS

18. The Air Corporations and the Department of Civil Aviation are, at present, under the control of the Ministry of Communications, which is also responsible for the administration of (1) Wireless Planning and Co-ordination, (2) Posts and Telegraphs, (3) Overseas Communications, (4) Indian Telephone Industries Ltd., (5) Meteorology, and (6) Railway Inspection.

19. The Civil Aviation Directorate was created in India in January, 1927, with a Director as its head and was placed under the then Department of Industries and Labour. Prior to this, there was a post somewhat analogous to the post of Director of Civil Aviation and designated as Chief Inspector of Aircraft to the Government of India. The post was in existence from December, 1920 to July, 1923 and was abolished, on the recommendation of the Indian Retrenchment Committee. Subsequently, in 1927 the post of Director of Civil Aviation was created following the recommendation contained in a memorandum submitted to the Government by the Indian Air Board, and both Civil Aviation and the Posts and Telegraphs Department were placed under the Department of Industries and Labour. This arrangement continued upto November, 1937 when a separate Department of Communications was established with control over Civil Aviation, Meteorology, Posts and Telegraphs, Broadcasting, Road Transport etc. During the War, the Department of Communications was bifurcated into the Departments of War Transport and Posts and Air Department. Civil Aviation, Meteorology and Posts and Telegraphs etc. were placed under the Posts and Air Department. This set up continued till the advent of independence, when the Ministry of Communications came into being and Civil Aviation, Meteorology etc. were placed under it.

20. The control of Civil Aviation and Air Transport by the Ministry of Communications is thus mostly due to historical reasons. The Ministry of Communications is primarily concerned with the means of communications like Posts and Telegraphs, Telephone, Wireless, Overseas Communication etc. while Civil Aviation and Air Corporations deal with a mode of Transport, namely Air Transport. It, therefore, appears that there is little rational justification for Civil Aviation and the Air Corporations being controlled by the Communications Ministry.

21. In their Second Report, the Estimates Committee referred to the anomalous situation of allied subjects being dealt with in different Ministries resulting in lack of co-ordination in work as well as in policies relating thereto. Having now examined the Air Corporations

and incidentally some matters relating to Civil Aviation, the Committee are convinced that there is a strong case for the re-examination of the question which Ministry should deal with these matters.

22. It was suggested to the Committee that there should be an Air Ministry to look after both Civil Aviation and Military Aviation. The consideration on which this suggestion was based was that there should be the utmost co-ordination between Civil Aviation and Air Force. The air power of the country includes the Air Force, Civil Aviation, Aircraft production, air field maintenance, air navigation facilities, etc. Their problems are interrelated and a deficiency in any aspect is likely to affect the total air power. It was, therefore, pointed out to the Committee that the resources and the needs of Military and Civil Aviation could be pooled together for the best advantage of the country, if they could be controlled by one Ministry.

23. The Committee appreciate that the Civil Air fleet is a potential military auxiliary and that there have been instances in this country where the Airlines co-operated with the Air Force during emergencies. They, therefore, cannot over emphasize the necessity of close co-operation between civil and military aviation whether in the matter of training, workshop facilities or of research. However, they are not quite satisfied whether it would be practicable to have an Air Ministry for dealing with both civil and military aviation but they would commend the objects underlying the proposal and would further suggest that close co-ordination and co-operation between the two be effected and ensured by Government at every stage.

24. The Committee also considered the suggestion to constitute a separate Ministry for Civil Aviation but were not quite satisfied that the work-load at present would justify the constitution of a separate Ministry. Even in the U.K., where before 1953, a separate Ministry for Civil Aviation existed, there is at present a combined Ministry for Transport and Civil Aviation which deals with Railways, Merchant Shipping, Waterways, Road Transport, Harbour, Docks, national and international shipping, marine navigation and safety and all aspects of Civil Aviation. They, therefore, feel that for the present the subject could remain the responsibility of a bigger Ministry and that the only question that would have to be settled would be the Ministry to which the responsibility should be attached.

25. As pointed out earlier, Air Transport is a means of transport like sea, rail, road and river transport and not a means of communication like Posts and Telegraphs, Telephones and Wireless which was probably the position in the early stages of that industry. The Committee feel it necessary that there should be a re-orientation in the attitude towards air transport by treating it as a transport problem and not as a communication problem. It is also necessary that there should be close co-ordination between Air Transport and the other means of transport referred to above. They, therefore, recommend that civil aviation and Air Corporations should be a responsibility of

the Transport Ministry as in U.K. and not of the Communications Ministry and that this change be given effect to at an early date. In this connection they would also like to reiterate the recommendation made by the Estimates Committee in para. 42 of their Nineteenth Report that the Transport Ministry should be separated from the Railway Ministry and placed under the charge of a separate Minister for Transport.

IV. AIR TRANSPORT COUNCIL

26. The Air Corporations Act, 1953 provides for the setting up of an Advisory body known as the Air Transport Council, to advise both the Corporations as well as the Central Government on any matter pertaining to air transport referred to it.

The functions of the Air Transport Council are as below:—

I. (a) To consider at the request of either of the Corporations matters such as the operation of scheduled Air Transport Service, the routes on which such services should be operated, the frequency of such services, the passenger fares and freight rates to be charged, the measure of economy to be adopted in the provision of any services, in regard to overhaul and maintenance etc.

(b) To consider any matter of importance which may be referred to it by the D.G.C.A. or D.G.P.T. including rates for carriage of postal articles by air.

II. To investigate at the request of the Central Government any matter relating to fares and freight or other charges levied by either corporations in respect of any service or facility provided by the corporation and of the adequacy of efficiency of such services or facility.

III. To tender advice to the Central Government, if so required, in regard to financial and economic analysis, accounting, costing and statistical technique and financial reporting relating to the Air transport.

27. The Committee observe that the Council consists of 10 Members including the Chairman. Of these, except two non-officials others are either persons in service or retired persons. The Committee do not consider the non-official representation adequate and would recommend that as a rule such advisory councils should have a substantial non-official element in them.

28. The Committee find that since the formation of the Council in 1955, only one question *viz.* that of fares and freights to be charged on air services operated by the I.A.C., has been referred to the Council by the Government. This reference was made in September, 1955 with a request to report as early as possible. The Committee understand that the Council held eleven meetings so far and that the report is expected to be ready by the end of December, 1956.

29. A whole time Secretary to the Council has been appointed. There is also a whole-time Private Secretary to the Chairman. There are two Assistants, a Stenographer-*cum*-Reporter and four Lower Division Clerks. The sanction for the posts has been given on

temporary basis upto the end of February, 1957. The total expenditure provided in the 1956-57 budget for the Air Transport Council is Rs. 1,10,000.

The Committee feel that the Government should have set a time limit for the submission of the report, specially in view of the urgency in the matter which very vitally concerns the economic functioning of the Corporation. They hope, however, that the report will be received by Government before the end of the Calendar year and that decisions would be taken on it without further delay.

30. The Committee understand that the question of rates for the carriage of mails payable to the Corporation by the Post and Telegraphs Department has not been specifically mentioned in the terms of reference. They suggest that this question may also be referred to the Council even at this stage since mails form an important source of revenue to the Corporation.

As is being pointed out in the subsequent report on the Indian Airlines Corporation, there are a number of problems relating to Corporations which require early decision. The Committee suggest that as far as possible the views of the Council may be obtained on all problems which are capable of being referred to it under the terms of its Constitution and that with this object in view, its machinery may be tuned to work expeditiously. The Government should lay down definite criteria for referring problems to the Council. All problems satisfying the criteria must be referred to the Council as and when they arise.

Advisory Committee

31. The Air Corporations Act envisages the appointment of an Advisory Committee to advise the Corporation in respect of certain matters. The functions of the Advisory Committee as contemplated in the Rules framed under the Air Corporations Act are to advise on:—

(i) Provision of amenities for air travellers;

(ii) improvement of services and facilities provided by the Corporation;

(iii) time-tables of air services;

(iv) proposals relating to opening of new air stations; and

(v) any other matter of general public interest or public convenience.

The Committee regret to observe that no Advisory Committee has so far been set up by the Government. They understood, however, that the matter is under consideration of the Government and that an advisory committee is likely to be appointed in the near future.

V. COMMON CORPORATION

32. An important question which arose when the nationalisation of the Private Airlines was decided upon was whether the domestic air services and the external air services should have two separate corporations or whether there should be only one corporation for both. This question was discussed at length in Parliament in 1953 when the Air Corporations Bill was under discussion. There was a strong current of opinion in favour of a single corporation. The protagonists of a single corporation believed that it would save an expenditure of Rs. 6 lakhs per year if the two corporations were combined. They suggested that if necessary there could be two separate wings, one for external and the other for domestic services. The Government considered it inadvisable to risk a decline in the reputation or efficiency which the Air India International Ltd. had built up in the regions where it operated and thought it necessary that the 'Goodwill' so built up should be available to the Air India International Corporation. On the other hand the domestic services had to be integrated, consolidated, and rationalised. It was, therefore, considered that there should be two separate Corporations, one for International services and the other for the Domestic services. The Minister for Communications, however, gave an assurance that after integration had been completed and after both the Corporations were set up on a sound footing, the Government would consider whether the Corporations could be amalgamated into one.

33. The Committee were told by the representatives of the Ministry of Communications that although at the time of the extension of the terms of the members of the Boards of the two Air Corporations, scope was left for a review, no review has so far been attempted by the Government. Since the I.A.C. was faced with a number of difficult problems and was just settling down, it was explained that the time had not yet come for conducting a review. The Committee feel that since the integration of the Domestic services has been completed, it should be possible for Government to review the question in the near future as promised.

34. At the same time, the Committee would like to emphasize that while there might be many advantages in having a common Corporation, with separate wings, if necessary, for the domestic and the international air services, the diversity of the problems, in every respect of the operations in the two categories of services might also cause some difficulties. However, the question merits very careful and detailed examination from technical, operational, financial and commercial aspects. In any case, the Committee consider that even if the two Corporations are to continue as separate entities the feasibility of having a common Board for the two Corporations should be examined, particularly as at present, the Boards of the two Corporations have seven members out of nine in common. The Committee

were informed that if a common Board was evolved it would have two representatives of the Air India International on the Board of Indian Airlines Corporation *viz.*, the Chairman and the General Manager of the Air India International while there would be only one representative of the latter in the former Corporation *viz.*, the Chairman of the I.A.C. They do not, however, consider this a substantial difficulty as it should be looked at as if each Corporation is bodily represented in the other.

35. In their report on Indian Airlines Corporation, the Committee propose to recommend that the Chairman of that Corporation should be a non-official with extensive business and air transport experience. They see no objection to the same person being made the Chairman of both the Corporations which is also permissible under the Air Corporations Act. The common Board in that case would comprise of the common Chairman, the General Manager of both the Corporations besides other common Members.

VI. INDEPENDENT OPERATORS

36. At the time of nationalisation of the air services, it was decided that only the air services which operated scheduled operations would be nationalised. Consequently, there are at present nine private airlines in the country which are engaged on non-scheduled operations. They are—

1. Air Survey Company of India Ltd., Calcutta.
2. Airways (India) Ltd., Calcutta.
3. His Highness the Maharajaha of Darbhanga.
4. Indamer Co. Ltd., Calcutta.
5. Air Taxies India, Calcutta.

} Permitted to operate in Assam Area.

6. Jamair Co. Ltd., Calcutta.**
7. Bharat Commerce & Industries Ltd.** Calcutta.
8. National Air Operators, Calcutta.**
9. Shri V. Sundaram, Madras.**

37. Control over the operations of these non-scheduled operators is exercised by the D.G.C.A. by imposing suitable conditions while issuing permits to them, so as to ensure that they do not come in the way of the desired growth of Civil Aviation in the country. The conditions are generally those which are applicable to the I.A.C. and the A.I.I. Corporations which also undertake non-scheduled operations. To safeguard the interests of the nationalised corporations, executives orders are also issued from time to time, placing restrictions on non-scheduled operators. For example, instructions have been issued recently that before operating a non-scheduled flight outside India, a non-schedule operator should obtain a No Objection Certificate both from the A.I.I. and the I.A.C. Similarly some of the companies are not permitted to operate in Assam Area.

38. At present the Corporations are in a position to undertake just about 50 per cent. of the non-scheduled traffic in the country and the balance is carried by independent operators. The Committee, therefore, feel that there is considerable scope and justification for

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(**Not permitted to operate in Assam Area *i.e.* to Balurghat & Cooch Bihar in Assam, Manipur, Tripura and N.E.F.A. area.)

the existence of independent non-scheduled operators in the country. In this connection, they would also refer to the fact that in the United Kingdom, after a period of restriction, the independent operators, have been permitted by the Government since 1952 to build up air transport services over routes which are not reserved for the Air Corporations of U.K. with a view "to help forward the sound development of Civil Aviation, to reduce the cost of air transport to the tax payer and to give greater opportunities to private enterprise to take part in air transport development".

39. Recently, a licence has been issued to an independent air operator of this country to operate a service to Andamans. The Minister for Communications stated in the Rajya Subha that issuing licence to the independent operators on selected routes did not conflict with the Government's policy. While welcoming this encouragement to the independent operators, the Committee would like to point out that if the independent operators are to help expansion of services particularly on routes which the nationalised Corporations are not in a position to operate, it is necessary and desirable that they should clearly know to what extent and how long they would be permitted to operate the services. Airlines operation involves careful planning, fleet equipment and pioneering work all of which mean costly additional expenditure which a private company incurs only in the hope of getting gradual returns. If private enterprise is expected to play its part in the further growth of civil aviation in the country, the independent operator should be left in no doubt about the Government's policy in the matter.

40. Under the provisions of the Industrial Policy Resolution of 1956, Air transport falls under the category of industries, the development of which will be the exclusive responsibility of the State. But at the same time, it is to be recognised that at present this nationalised industry has its limitations and also that the independent operators are doing useful work. The Air Corporations Act also recognises that 'associates' of the Corporation could also operate scheduled air transport services. The need to build up quickly an adequate reserve of aircraft and trained personnel in civil aviation to serve as a second line of defence should also be taken into consideration. The Committee feel, therefore, that a liberal attitude should be followed towards independent operators and that if an independent operator satisfies the Government of his capacity to operate a service on a route on which the nationalised corporations are not in a position to extend their services, there should be no objection to grant a permit to the independent operator over that route.

VII. TECHNICAL RESEARCH ON CIVIL AVIATION

41. Civil Aviation is a business which requires keeping abreast of latest technical developments in the world, if it is to compete with others in the field. It is important, therefore, that alongside the arrangements for regular operations there should be continuous research on the aeronautical problems, instead of having to rely on foreign countries for this purpose, all the time.

42. The Directorate General of Civil Aviation has a separate Research and Development Directorate dealing with the technical problems of aircraft design, development and testing of aeronautical materials and equipment, operational research, standardisation of aircraft, accidents, evaluation of their relative merits of the various types of Civil Trainer and transport aircraft, check testing of aviation oil and fuel etc., check calibration of aircraft instruments and equipment etc. For undertaking experimental investigations, a Research Laboratory known as the 'Technical Centre' has also been established at New Delhi.

43. The Committee understand that this Centre is being gradually equipped and staffed, consistent with available funds and personnel. During the First Five Year Plan, aeronautical test equipment, apparatus and machinery costing Rs. 5·27 lakhs were procured and installed at this Centre. During the Second Five Year Plan, provision has been made for the purchase of additional equipment worth Rs. 15 lakhs.

44. The Research and Development Directorate has so far carried out detailed technical studies on various types of aircraft. For example, the technical characteristics of the following types of aircrafts have been investigated and reported upon:—

(1) Viscount
(2) Convair
(3) Martin 404
(4) Dakota aircraft fitted with R-2000 engines.
(5) Illyushin II-14
(6) Douglas DC-8
(7) Boeing 707
(8) Bristol Britannia 300 LR
(9) Dehavilland Comet Models etc.

45. The Committee suggest that such research activity and the necessary co-ordination between the Air Corporations and the D.G.C.A. to facilitate it should be encouraged further. The co-ordination that the Committee have in view is not the one attained by the D.G.C.A.

being a member of the Corporations. The Committee would recommend that some machinery should be devised by which the technicians of the two Corporations could be associated with these under the D.G.C.A.

46. The Committee understand that the Air India International has set up its own Research Unit. In view of the technical talents for air research being rather limited, the Committee feel that there must be co-ordination and central direction of the research done under different organisations. The Committee would, therefore recommend that there should be a Council for Air Research. The Council will direct research and ensure co-ordination with a view to make the most effective use of the available technical talents.

VIII. MISCELLANEOUS

(A) *Customs procedure for imparts of aircrafts parts*

47. The Committee understand that the present procedure regarding the customs clearance of and the assessment of duty on imported aircraft parts in India is very cumbersome and that the Corporations have to put up with considerable delays and inconvenience on this account. They were also informed that instructions had been issued by the Central Board of Revenue to prevent the delays but that they had not been given effect to, at all the airports. In this connection, the Committee would invite attention to the following observations of the Air Transport Enquiry Committee in 1950:—

> "Complaints have been made to us regarding delays in customs clearance of aircraft parts and also in the assessment of duty on aircraft equipment, particularly accessories and radio equipment. We are informed that m respect of quite a number of items *e.g.*, aircraft fabric, aircraft radio equipment etc. the customs authorities insist on charging duty as much as 30 per cent. although aircraft parts are liable to a duty of only 3 per cent. All stores which are used for aircraft purposes have to satisfy very high and exacting specifications and such are far more highly priced than similar items used for other purposes. It is, therefore, most unlikely that such items would be imported under a lower customs duty for aircraft purposes and they are used for other purposes. We suggest that a certificate by the Director-General of Civil Aviation to the effect that the item in question is an aircraft accessory or is required for aircraft purposes should suffice for the customs authorities to give it clearance after charging it duty at the rate normally assessable on aircraft parts and stores."

48. The Committee do not see why a certificate by the D.G.C.A. to the effect that the spares and stores in question are aircraft items and are specifically required for aircraft purposes, should not suffice, as recommended by the Air Transport Enquiry Committee. On the authority of such certificate the customs authority should be in a position to give clearance after charging thereon duty at the appropriate rates. The Committee regret to observe that a recommendation made by the Air Transport Enquiry Committee in this connection in 1950 has not been fully given effect to till now.

49. The representatives of the Air Corporations mentioned to the Committee that aircraft spares brought at a heavy cost by air to meet urgent needs had to be taken to the customs office near the docks,

because the airports did not have appraising machinery at the airport and that consequently the procedure caused considerable delay. In this connection, the Committee suggest the following for Government's consideration:—

(a) There should be a "pass or note" system in regard to the Customs Clearance of Aircraft material, *i.e.* as soon as invoices are received, the customs authority should allow the Corporations to clear the goods on the strength of an indemnity bond, subject to assessment at a later stage. It is understood that this facility was enjoyed by the Air India Ltd. in the past. If so, there should be no difficulty in extending the same facility to the Air Corporations.

(b) Assessors may go over to the airport and complete the assessment on receiving notice that goods have arrived by air.

(B) *Question of staff joining other concerns*

50. The Committee understand that three commanders and pilots of the I.A.C. resigned and joined foreign nationalized Airlines. They believe that there are schemes between Governments for giving technical persons on loan. Such schemes should ordinarily minimise the resignations of technically qualified Indians with a view to accepting employment in nationalised undertakings in foreign countries. Further Article 18(4) of the Constitution lays down that no person holding any office of profit or trust under the State should, without the consent of the President accept any present, emolument or office of any kind from or under foreign state. The Committee would suggest that the Government should also make suitable regulations to prohibit persons who have retired or have resigned from Government service especially who are in possession of valuable information, from accepting service under foreign Government or nationalised undertakings in foreign countries without the prior approval of the Government.

51. It is understood that the Government of India have issued instructions to all the national undertakings in the country that no person discharged from one nationalised concern should be employed in another without a clearance certificate from the previous employers. But the Committee feel that this does not cover cases of persons who have resigned their previous employment and have joined a new one under another State undertaking. They suggest that the feasibility of issuing instructions to the effect that, when an employee resigns from one State undertaking and seeks employment in another, the latter should obtain a recommendation from the former in regard to his fitness for the subsequent employment should be considered.

IX. ORGANISATION

(A) *Functions*

52. The functions of the Air India International are to provide safe, efficient, adequate economical and properly co-ordinated air transport services, to develop them to the best advantage and to ensure that the services are provided at reasonable charges. The Air India International is also empowered among other things to:

(1) operate any air transport service or any flight by aircraft for commercial or other purposes, and to carry out all forms of aerial work;

(2) provide for the instructions and training in matters connected with aircraft of persons employed, or desirous of being employed, either by the Corporation or by any other person;

(3) acquire, hold or dispose of any property;

(4) repair overhaul, reconstruct, assemble or recondition aircraft machines, vehicles and parts, accessories and instruments and to manufacture such parts, accessories and instruments;

(5) enter into and perform all such contracts as are calculated to further the efficient performance of its duties;

(6) determine and levy fares, freights rate etc. with the prior approval of the Central Government;

(7) take steps to extend the air transport services; and

(8) take steps to improve services which the Corporation may provide.

B. *Administration*

53. The Corporation consists of Chairman and eight members appointed by the Central Government. The present constitution is as below:—

Shri J. R. D. Tata—Chairman.

Shri Shankar Prasad, I.C.S., Chairman, I.A.C.

Shri B. N. Jha, I.C.S., Secretary, Ministry of Communications.

Shri P. C. Bhattacharya, Secretary, Ministry of Finance.

Shri L. C. Jain, I.C.S., Director General of Civil Aviation.

Shri K. C. Mahindra.

Shri Michael John.

Air Marshal S. Mukherjee, Chief of Staff, I.A.F.

Shri B. R. Patel, I.C.S., General Manager, Air India International.

54. In the hierarchy of executive authority next to the Corporation is the Chairman and after him is the General Manager, who is also a member of the Corporation. The organisation at Headquarters is as below:—

CORPORATION

CHAIRMAN

General Manager

Traffic Manager	Controller of accounts	Operation and Engineering Manager	Controller of Stores and Purchase	Personnel Officer

55. The Committee understand that there is a system in the A.I.I. Corporation under which although there is no Board of Management as in the H.A.L. or the Bharat Electronics Ltd., the Heads of Departments including Financial Controller meet once a week and discuss problems facing the Corporation. The Committee were told that this arrangement was better than having a formal Board because although the views were freely expressed and recorded, the responsibility still remained with the Chief executive. The relation between the Financial Controller and the General Manager of the A.I.I. has, however, been put on a formal basis, and he has the right to refer to the Board any matter on which he disagreed with the General Manager. The Committee welcome the independence given to the Controller of Accounts. They, however, consider that the basis of these informal consultations should be placed on a more firm footing as there are undoubtedly great advantages in fostering among the senior executives, a sense of collective responsibility for the efficient conduct of the business of the Corporation and in securing for the General Manager who is a non-technical officer, a better and all-round appreciation of the advice he would get from each of his heads of departments. They, therefore, recommend that a Board of Management consisting of the Chief executive and his principal heads of departments should be appointed, for the efficient conduct of the day-to-day business of the Corporation and that suitable internal rules of procedure be framed for the purpose.

(C) *Organisation*

56. The organisation of the A.I.I. consists of the Headquarters office at Bombay and the offices at the on-line and certain off-line outstations. The on-line and off-line stations include the following:—

On-line stations	*Off-line stations*
London	Manchester
Geneva	Milan
Rome	Hamburg
Dusseldrof.	Stutgart
Zurich	Durban
Paris	Alexandria
Nairobi	Osaka
Aden	Colombo
Cairo	Coimbatore
Beirut	Bangalore.
Singapore	Birmingham
Bangkok	Djakarta.
Hongkong	
Tokyo	
Bombay	
Delhi	
Calcutta	
Madras	
Damascus	
Prague.	
Sydney	
Darwin	
Karachi	

57. The Offices at outstations are mainly traffic offices and are under the Traffic Manager at the headquarters. At London, however, the Corporation has posted a Divisional Operations Manager, who is directly responsible to the Technical Director, and who looks after the flight operations in the U.K. and in Europe. There is also in London a Technical Manager who supervises the engineering activities of the Corporation at London airport and at airports in Europe and who is independently responsible to the Technical Director. At other on-line stations, besides the Station Heads (either a District Manager or an Assistant District Manager), there are also Station Engineers and Stations Accountants and at some stations also Flight Operations Officers.

58. There are Regional Traffic Managers at London, Geneva and Nairobi in over-all control of the traffic offices in their respective regions.

The Corporation has no office of its own at Karachi where it is represented by the Indian Airlines Corporation.

At Headquarters, the A.I.I. functions through Operations, Engineering, Traffic, Accounts, Stores, and Purchase, and Personnel Departments.

59. The main function of the operations Department is to operate the actual flights of the services of the Corporation and to look after all ancillary matters such as navigational problems, training and licencing of air crews etc. The strength of this department is approximately 462.

60. The Engineering Department looks after the maintenance, repair and overhaul of aircraft and, to a certain extent, the manufacture of simpler type of equipment required for aircraft. The number of the staff in the Department is approximately 1,434.

61. The Traffic Department is the revenue earning department of the Corporation. It also handles such matters as publicity and advertising, public relations, sales promotion etc. The strength of the department is approximately 565.

62. The Accounts Department, besides keeping the accounts of the Corporation, advises the Management on all financial matters. It consists of about 306 employees.

63. The Stores and Purchase Department specialises in purchases, a large part of which pertains to highly technical equipment such as aircraft parts, instruments, etc. which are available only in foreign markets. It is also responsible for maintaining the stores of the Corporations. It employs about 170 persons.

64. The personnel department looks after establishment matters such as recruitment of personnel etc. It also maintains personal records of all employees. It makes specialised study of labour legislation and handles the welfare and recreational activities of the employees. This department consists of about 151 persons.

(D) *Delegation of Powers*

65. Wide powers have been delegated to the Chairman, General Manager and the Heads of Departments. The Heads of Departments are empowered to sanction creation of posts carrying a maximum salary not exceeding Rs. 500 per month. They are also empowered to sanction capital expenditure not exceeding Rs. 50,000 on any project or item included in the capital expenditure budget approved by the Corporation on certain conditions. They have also been empowered tc negotiate and contract on behalf of the Corporation subject to funds being available under the appropriate budget head. The stations Heads have been given the power of attorney enabling them to have the authority to represent the Corporation at outstations.

X. FINANCE AND ACCOUNTS

(A) *Budget Estimates*

66. The Estimates of the revenue and expenditure for the year 1955-56 and 1956-57 and the actuals for 1954-55 are given in Appendix I. The estimates of expenditure for 1956-57 are higher than those of 1955-56 by Rs. 128·45 lakhs. The reasons for this, are stated to be as below:

1. Proposed increase in the frequency of India—U.K. service and of Bombay—Tokyo service.
2. Increased provision under depreciation on account of addition of three Super Constellations.

67. The increased frequencies have necessitated the following estimated increases:

(Rs. in lakhs)

Service	*Amount*
1. Employment of additional personnel	44·99
2. Fuel and oil	35·18
3. Landing fees	2·85
4. Handling fees	1·65
5. Consumption of stores	14·25
6. Publicity and Advertising	2·5
7. Passenger service and	3·46
8. Commission to agents	5·36

The increase in depreciation provision has necessitated the following estimated increase:

Item of Depreciation	*Increase over* 1955-56
1. On aircraft fleet	Rs. 2·48 lakhs.
2. On other assets	Rs. 2·95 lakhs.
3. On spare parts and major components.	Rs. 4·00 lakhs.

68. As the capital expenditure of the Corporation is kept separate from the revenue expenditure, the estimates of capital expenditure are prepared by the Corporation separately. A statement of capital expenditure incurred in 1953-54, 1954-55 and 1955-56 and the Budget Estimates for 1956-57 is given at Appendix II.

(B) *Profit and Loss*

69. A copy each of the Profit and Loss account for the year 1954-55 and for the period 1st August, 1953 to 31st March, 1954 is given at Appendices III and IV.

70. It will be observed from the Profit and Loss Accounts that during the period 1st August, 1953 to 31st March, 1954 and 1954-55 the Corporation's operating profit amounted to Rs. 18·30 lakhs and Rs. 33.65 lakhs respectively. The operating profit for 1955-56 is however only Rs. 6.54 lakhs, while that estimated for 1956-57 is only Rs. 10.15 lakhs. In calculating these profits no provision has been made for interest on capital advanced by Government from time to time. This is in accordance with the Government's decision that no interest will be charged on capital for period of five years commencing on 1st August, 1953, the position being reviewed at the end of the period. Had interest been debited at 4 per cent. per annum the incidence of this charge would have been as follows:

In 1953-54	Rs. 1·08 lakhs.
In 1954-55	Rs. 15·06 lakhs.
In 1955-56	Rs. 28·00 lakhs.
In 1956-57 (estimated at)	Rs. 36:19 lakhs.

The profit earned by the A.I.I. Limited during the three years before nationalisation is as follows:—

1950	Rs. 19·72 lakhs.
1951	Rs. 37·55 lakhs.
1952	(loss) Rs. 2:13 lakhs

71. The Committee appreciate that competition among international carriers, which is ever increasing, necessitates great technical development of aircraft equipment and results in increased capital investment and other types of expenditure which affects the profits. They consider, however, that the financial prospects of the Corporation are not entirely bright. While expansion of services and additional equipment increase the capacity for earnings, they also result in extra expenditure, such as on man-power, maintenance, training, depreciation and interest on capital, apart from the capital expenditure. Further increasing competition will also require the provision of higher standards of passenger service. It is therefore, necessary that the Corporation should not relax in its efforts to keep down unnecessary expenditure, to control costs and to attract traffic.

(C) *Form of Accounts*

72. Rule 15(1) of the Air Corporations Act lays down that the Corporation shall prepare an annual statement of accounts including the profit and loss account and the balance sheet, in such form as may be prescribed by the Central Government in consultation with the Comptroller and Auditor General of India. The Committee understand that the Government have finalised in consultation with the Comptroller and Auditor General, the system of accounts to be followed by the Air India International and that it should be possible for the Corporation to maintain its accounts in the prescribed form for the financial year 1957-58.

73. The present system of accounts obtaining in the Air India International is nearly the same as that embodied in the Revenue Accounting Manual issued by the International Air Transport Association in 1953. The Corporation also collects data on financial matters which call for comparability among International Operators laid down by the I.C.A.O. This system includes the maintenance of a comprehensive breakdown of revenue and expenditure in a way which facilitates a two-way analysis under functional or departmental and objective heads. These figures are published annually along with the Annual Report and Accounts.

74. A system of cost accounting exists in the Air India International which enables the Corporation to work out the cost per mile, cost per station, cost per hour of an aircraft flown, cost for each overhaul etc. The Committee would like to emphasise that in this matter there should be a continuous review of the methods of costing and the results. International air transport is highly competitive industry demanding on the part of every management, advance planning with a high degree of precise forecasts and an equally detailed check on results. The Corporation should, therefore, keep in touch with the system of cost control exercised by modern operators in other countries and keep its own system sufficiently modern.

(D) *Audit Arrangement*

75. Rule 15(2) of the Air Corporations Act, 1953 provides that the accounts of the Corporation shall be audited annually by the Comptroller and Auditor General of India. The Committee understand that the Comptroller and Auditor General has completed the audit of the accounts for the year 1954-55 and that the report as required under the aforesaid rule is to be presented to Parliament, in due course.

76. The internal audit of the Corporation is carried out by the Accounts Department of the Corporation, three of whose sections perform this function as under:

The Traffic Accounts are wholly mechanised and this in itself imposes checks and counter-checks. However, every document of carriage is fully scrutinised before it is processed through the machines, and immediate action is taken to rectify the mistakes, if any. Similarly, claims for refunds are scrutinised thoroughly to ensure that the payment was received in the first instance.

Out-stations submit fortnightly expense statements and these are scrutinised by the Central Accounting section to ensure that all capital expenditure is covered by appropriate sanctions and that recurring expenses are normal. Immediate explanations are demanded where doubts arise. The expense statements are also reconciled with the ledger balance in the Bank Accounts.

There is a separate Bills Passing Section whose function is to scrutinise all the bills received by the Corporation for goods supplied or services rendered to it. This scrutiny is made before the bills are passed for payment.

Appointments of staff are also subject to an audit check. The recruitment of staff, total numbers, designated posts etc. are controlled through a system of 'Standard Force' for each Department. It is the function of the Personnel Department to watch that all appointments are within the approved Standard Force.

Besides, the Statutory Audit and the Internal Audit, the accounts are also audited by a firm of Chartered Accountants. The scope of this work is said to be similar to the audit of the accounts of a Public Limited Company. They submit their report to the Board of the Corporation. The Committee find that another audit by Chartered Accountants has not been provided for under the Act but has been voluntarily arranged by the Corporation. They fail to see the need for such an audit. The Corporation has a full fledged internal audit department and the accounts compiled by the Accounts Department and approved by the internal audit department should be satisfactory for the purposes of the Corporation. The scope of the external audit carried out by the Comptroller and Auditor General being wider than the audit done by commercial auditors, the Committee feel that there is no need for another external audit.

(E) *Depreciation*

77. Provision has been made for depreciation by the A.I.I. in their Budget Estimate of 1955-56 and 1956-57 to the extent of Rs. 88·77 lakhs and Rs. 98·20 lakhs respectively. This covers depreciation on aero-engines and aircraft at the following rates subject to special conditions in certain cases:

(1) 80 per cent. of the cost of airframes of Constellation 749s and Super Constellation 1049s to be written off by equal anuual instalments in 10 years, leaving a balance of 20 per cent. of the cost at the end of that period as residual value.

(2) 80 per cent. of the cost of the engines of Constellation 749s and Super Constellation 1049s to be written off by equal instalments in 7 years leaving a balance of 20 per cent. of the cost at the end of that period as residual value.

The Committee have been assured that the above depreciation is adequate considering the expected life of the aircraft and the engines and their residual values.

(F) *Third Party Liability*

78. Third Party claims mainly arise from accidents resulting in injuries from aircraft and motor vehicles to persons or damages to property of these not travelling in the Corporation's aircraft or motor vehicles. Such claims are generally covered by an insurance policy which comprehensively covers the full risk, third party liability, passenger liability etc. There are certain cases, however, in which the third party claims are not strictly covered by the terms and conditions of insurance relating to liability. In such cases, the Corporation is not

able to recover the claims from the Insurance Companies, although it may have paid compensation to such parties, considering the circumstances in which injury or loss was caused. The Committee learn that to meet such liabilities. the Corporation has proposed that a sum of Rs. 5 lakhs should be earmarked annually for establishing a fund pursuant to the rules made under Section 44(2)(c) of the Air Corporations Act. The matter is said to be under consideration of the Government. The Committee recommend that an early decision should be reached on the matter.

79. The Air India International has also an Insurance Fund which was started in 1954 and amounted to Rs. 19 lakhs on 31st March, 1955. Prior to nationalisation, A.I.I. Ltd., used to insure their aircraft comprehensively with outside insurers. After nationalisation, the question was reviewed and it was decided that the A.I.I. Corporation should continue to follow the same policy.

80. An Insurance Fund is being built up from the surplus which remains after meeting the expenditure on operations and also by crediting to the fund any rebate that may be received from the insurer in the shape of difference between the standard rate premium paid for insurance of aircraft and minimum rate chargeable in those areas in which the claims position is satisfactory. Miscellaneous insurance covers are progressively being made from this fund. The Committee understand that when the fund is sufficiently built up a portion of aircraft risks may also be covered by this fund. Such additions to the types of risks that will be covered by the self insurance fund are likely to make the extent of the risk substantial and the Corporation might have to bear the risk all by itself unlike outside insurers who usually spread out the risks by a system of re-insurance. The Committee would, therefore, recommend that a cautious policy should be followed in this matter.

81. The question of laying down a policy in respect of insurance of properties belonging to all State controlled undertakings is stated to be under consideration of the Government. The Committee recommend that the policy should be made applicable uniformly for State controlled undertaking under all the Ministries of the Government.

XI OPERATIONS

A. *Route Pattern*

82. A chart showing the services of the Air India International on various routes with weekly frequencies is given in Appendix V.

83. The Committee are glad to note that since nationalisation, the Air India International Corporation has opened a number of new services touching important cities abroad particularly in East Asia. These new services are as below:

SERVICES	*STARTED ON*
India-Japan	
Calcutta-Bangkok	14th August, 1954
Honkong-Tokyo	7th May, 1955 (See note below).
India-Malya	
Madras-Singapore	16th July, 1954.
India-Australia	
Bombay-Madras, Singapore-Sidney.	5th October, 1956.

NOTE:—The service to Tokyo was extended from Honkong on 7th May, 1955.

84. The Committee observe that the frequencies of service in these routes have also increased since nationalisation.

The frequency of the Nairobi service is twice weekly since 3rd October, 1953 as compared with 1½ times weekly before nationalisation. On the India-U.K. route, the 5th and the 6th weekly frequencies were added on 11th May, 1955 and 1st July, 1955 respectively, whereas it previously used to be 4 times weekly. The previous twice weekly extensions to Delhi and Calcutta have also been increased to four times weekly. Moreover, Delhi has been connected once a week to the Tokyo service in the west bound direction of Calcutta. The Committee learn that as capacity increases, it is the intention of the Corporation to increase the number of services. At present, the frequency to U.K. is six times a week and it is proposed to increase it to eight or nine times a week depending on the traffic potential.

The Committee feel that with the coming in of jet aircraft ordered by the Air India International, it should be possible for its services to be extended to New York either from London or from Tokyo. For this purpose, early steps will have to be taken to study the traffic

potential and the trends of traffic increase on the two routes. Action may also be taken in good time to enter into bi-lateral air-agreements in order to commence the services that may be decided upon.

B. *Fleet*

85. At the time of nationalisation, the Air India International had four aircrafts, all Constellations-749BS. Five more super constellations were purchased by the Corporation by March, 1955. In April, 1955 the Corporation lost the Kashmir Princess due to sabotage. The present fleet of the Corporation, therefore, consists of 3 Constellations and 5 super constellations. Orders for 3 new Super Constellations were placed by the Corporation with the Lockhead Aircraft Corporation. One has been received and the delivery of the other two is expected in January, 1957. The Corporation has also one Dakota mainly used for ferrying of engines, when engine changes are necessitated in emergencies enroute. The Committee were told during discussions with the representatives of the A.I.I. that the Corporation also proposed to purchase 3 Boeing Jet aircrafts during the period of the Second Five Year Plan. Orders have been placed and the delivery is expected to start from January, 1960.

86. The Committee were informed that the Corporation proposes to exchange 3 constellations for two super constellations. This enable the Corporation to have only one type of aircraft for the present and this standardisation would considerably reduce maintenance problems.

C. *Volume of Operations*

87. The volume of operations of the Corporation since 1953-54 is given below:—

Period	*CTM Operated*	*Average CTM per month*
1953/54 (8 months)	11,551,047	1,443,881
1954/55	23,684,254	1,973,688
1955/56	35,242,244	2,936,854
1956/57 (first quarter)	10,202,666	3,400,889

88. For the purpose of comparison the volume of operations of the Air India International Ltd. for four years is given below :—

Period	*CTM*	*CTC per month*
1949	6,668,000	555,666
1950	10,903,000	908,583
1951	14,103,000	1,175,250
1952	14,358,000	1,196,500

D. *Operational Control*

89. The Committee understand that modern large-sized international airlines have a system whereby they are able to locate on a Chart the movements and the exact position of each of their aircraft. Such a system requires very efficient and good means of communication between each point on the ground and air control room and is an expensive one. But it is necessary in view of the growing intnesity of air operations as without it the large airlines will not be able to plan ahead and keep the schedule, with the minimum of reserve fleet.

90. The Committee are glad to note that A.I.I. has also made a start in this direction by having a movement control room in Bombay whereby the movements of all their aircrafts are watched and charted. It was explained to the Committee by the representatives of the Corporation that each sector of flight was controlled by a Flight—Operations Officer who was constantly in touch with the aircraft etc. at places like London, Geneva etc. These flight officers pass on information to movement control room who in turn prepare the necessary charts.

XII TRAFFIC

A. *Composition of Traffic*

91. The Composition of Traffic carried by the Air India International during the last three years is as below:

Passengers Carried

1952-53	..	22,165
1953-54	..	30,556
1954-55	..	44,362
1955-56	..	62,100

Cargo Carried (in lb.)

1952-53	..	1,281,000
1953-54	..	1,925,000
1954-55	..	2,271,000
1955-56	..	2,772,000

Mails Carried (in lb.)

1952-53	..	486,000
1953-54	..	478,000
1954-55	..	667,000
1955-56	..	975,000

92. It would appear from these that passenger traffic was the heaviest in the Air India International, with considerable amount of mail and cargo coming thereafter.

The revenue yielded by these and other sources of traffic is as under :

Traffic Revenue			*Rupees*
(a)	Passengers	.. ..	3,29,32,956
(b)	Excess baggage	.. ..	11,21,228
(c)	Mail	.. ..	85,77,210
(d)	Freight	.. ..	34,27,614
(e)	Charters	.. ..	6,78,895

93. Under Rule 10 of the Aircraft Rules, the Corporation is required to carry all the mails delivered to it. Consequently, the first priority is given to this traffic. Diplomatic mail is also included in this category although it is carried as cargo. Passenger traffic being more remunerative than cargo, the second priority is allotted by the Corporation to this traffic. The Committee learnt that at times the Corporation also carry cargo at the cost of passenger traffic in order to encourage an all the year movement of air cargo.

94. The trends in the traffic carried by the members of the I.A.T.A. for the years 1953, 1954 and 1955 are shown in the following statement:

Revenue Tonne-Kilometres performed
(in thousands)

International Air Transport Association-International Operations

Year	*Passenger*	*Cargo*
1953	1,183,000	260,000
1954	1,227,000	277,000
1955	1,439,000	327,000

95. In 1955, the passenger traffic increased by 21·64% over the level of 1953 and the freight traffic registered an increase of 25·77% over the same period. For the same period the passenger and goods traffic carried by the A.I.I. is shown below :—

Revenue Tonne-Kilometres performed
(in thousands)

Year	*Passenger*	*Cargo*
1953	10,989	3,211
1954	15,299	3,434
1955	20,578	5,004

96. The increase of the traffic in 1955 over that in 1953 is 87·26% as regards passengers and 55·84% as regards freight. For the same period the increase in the passenger and Cargo traffic carried by foreign Air-lines to and from India was nearly 11·5% and 23·6% respectively. The Committee are happy to note that the Corporation is playing an increasing part in the carriage of the country's International air traffic.

B. *Passenger Fares and Cargo and Freight Rates*

97. The fares and freights of the Air India International, as in the case of other International Airlines are determined by the International Air Transport Association (IATA) and are put into effect after they are approved by Government of India.

The general principles on which the fares and freights are fixed by the IATA is as below:

(1) Members are requested to submit cost forecasts on the basis of their operating programme for the next period of the fares and rates agreement, *viz.*, 1st April of the year to 31st March of the following year.

(2) The cost reports are examined by a special Cost Committee which evolve a standard cost forecast for different geographical regions and routes. The report of the Cost Committee normally indicates the percentage increase or decrease in the cost of operation compared to the previous year's forecasts.

(3) The Report of the Cost Committee is then examined by a Committee known as Fares, Rates, Charges and Schedules (FRCS) Committee. This Committee endeavours to arrive at a recommendation for the level of first and tourist class fares and cargo rates on different routes which is submitted to the Traffic Conference of IATA.

(4) The FRCS Committee is not guided entirely by the Cost Report; it also takes into consideration commercial aspects such as the traffic potential, the rates which the market can bear, competitive routings and competition from non-IATA Carriers etc.

(5) The conferences then determine the actual level of fares and rates by negotiation and unanimous agreements of its Members. There is considerable give and take in arriving at such agreements.

(6) There is no agreed formula or procedure for establishing a differentiation between first class and tourist fares. Generally speaking, the differential varies between 20% and 30% the first class level of fares. However, the existence of the tourist market and competitive position of the Member is given special consideration in determining the differential.

98. Since 1st October, 1953, the Corporation has introduced a tourist class. This has been found to be a success and has accounted for a good part of the increase in passenger traffic and has filled the expanded capacity offered by the Corporation. Among advanced airlines there is another class which is prevalent *viz.* Deluxe Class. It is understood that it may not be possible for the A.I.I. to introduce this class in the immediate future.

99. Charter rates are not fixed by the IATA and are, therefore, fixed by the operators on a competitive basis. The Corporation has with the approval of Government laid down the following minimum rates per passenger mile for the types of aircraft mainly operated by the Corporation :

Constellation 749.	Rs. 8-8-0 per mile.
Super Constellation 1049.	Rs. 9-8-0 per mile.
Dakota (Freighter).	Rs. 4-8-0 per mile.

In addition to the above, a fixed charge of Rs. 50|- per head for each crew member to cover outstation expenses is made in respect of a night-stop, and cost of transport and meals, if any, supplied to passengers is recovered at cost. The amount earned by the Corporation on charters was Rs. 92,492 in the eight months of 1953-54 and Rs. 6,78,895 in 1954-55. The Committee were informed that the earnings are such as to cover the incremental cost of operating the aircraft.

100. They find, however, that the Corporation is not able to undertake additional non-scheduled freight traffic for want of suitable aircraft. They suggest that the feasibility of utilising the Skymasters of the IAC when they are replaced by Viscounts, for international non-scheduled freight traffic may be examined in consultation with the I.A.C.

101. Mail rates in the case of A.I.I. are given below:

(1)	For convevance of air mails from Delhi/Calcutta/Mad as upto Bom ay at in'and rates as mentioned in para 1 pertaining to the Indian Airlines Corporation.	
(2)	For l t er card mails	
	(a) for sectors entirely within Europe—	o·896 pies per kg. per km.
	(b) for other sectors—	1·12 pies per kg. per km.
(3)	For all other mails and air parcels—	o·355 pies per kg. per km.
(4)	For Journals—	o·284 pies per kg. per km.

102. While the revenue derived from the carriage of mails per ton kilometer in 1955 and 1954 was 2·53 and 2·60 gold francs, the cost of operation worked out to 1:33 francs. Thus the A.I.I. has a reasonable margin in the remuneration received for carriage of mails. The Committee understand that although in regard to conveyance of mails each country has fixed its own rates, the overall rates paid to the A.I.I. in India compare favourably with those obtained by other international carriers.

C. *Traffic Expansion*

103. The capacity ton miles operated and traffic revenue earned therefrom by the AII during the last three years is given below :

Year	*C.T.M. operated (in millions)*	*Traffic revenues (Rs. in lakhs)*
1953-54 (pr ject d to 12 months)	17.33	352.50
1954-55	23.68	467.38
1955-56	35.24	660.18

104. It will be observed from the above figures that in three years the A.I.I. has doubled its capacity and has also increased its revenue nearly in the same proportion. There are, however, certain routes on which capacity offered is not fully utilised particularly in the case

of the newly opened far-Eastern services. The Committee note that AII has been taking necessary steps in this regard, within the limitations of keen competition. With this end in view, the AII has opened sales promotion offices in Colombo, Tokyo etc. In Europe also, sales promotion offices have been opened in Milan, Hamburg, Prague, Manchester, Dusseldorf and Beirut. The Committee appreciate that the Corporation has to face difficulties arising out of patronage, facilities, timings, etc. They feel, however, that at least as regards the traffic originating in this country, the Corporation should periodically survey and analyse the traffic carried by all the other airlines with particular reference to the extent carried by it and take measures to attract that traffic. Ordinarily, the Corporation should not find it difficult to get the patronage of all Indians, while on their part, Government has also taken steps to assure, as far as possible, all foreign traffic originating from Government to the Air India International Corporation.

D. *Passenger Facilities*

105. When competition between the airlines is severe and the fare structure more or less uniform, owing to I.A.T.A. regulations, the extent to which a particular airline gets traffic in preference to another airline depends a great deal on the routes which are offered by that airline and also the comforts and conveniences it offers to the passengers. The Committee realise that much cannot be done in the direction of opening new routes in a short period as it requires a great deal of initial planning and expenditure. As regards the second direction, *viz.* of passenger comforts and convenience, there is much which an international airline can do. The Committee are glad to note that by and large facilities abroad and ground offered by the Air India International are found by passengers to be comparable with those of other international airlines.

However, the Committee understand that there have been some complaints that the food served by the A.I.I. Corporation has recently deteriorated. They would suggest that suitable steps be taken to improve the quality of food served and also to cater to the differing tastes of the various users of the Corporation's services. The Corporation should ensure that high standards of catering are uniformly maintained. The Committee would also recommend some improvements in the following directions.

Rest Houses and Restaurants

106. The Committee understand that all the four international aerodromes in India used by the planes of the AII are not satisfactory from the point of view of the provision of rest houses etc., that at some places there are eight to ten beds but they are reserved for VIPs, and that even in the new buildings at Santa Cruz where a rest room is being constructed, it is also intended only for VIPs. When the Committee discussed this question with the Director General of Civil Aviation, they were informed that construction of rest houses was not possible for want of funds and space. The Committee observe in

this connection that international airlines like BOAC have provided rest houses for their passengers even at outstations like Karachi. They consider that the AII should themselves examine the case for providing this facility and that if it is not possible for the Air India International or the DGCA to provide the necessary accommodation, the feasibility of providing slumberettes in airport buildings may be considered so that passengers who are detained at the airports due to postponement of a flight could relax to some extent.

Customs Procedure

107. It was brought to the notice of the Committee by one of the non-official witnesses, that the customs procedure at the Indian airports was particularly irritating to the foreign passengers. It was also the experience of some that as compared to customs handling at modern airports abroad, the customs handling at the international ports in India left much to be desired. A particular complaint in this regard was that the customs officials at the airports who had to do an unpalatable job could do it less unpleasantly. Another was that the number of immigration, customs and health clearance formalities that the tourist passenger is required to undergo and the time that is consumed in completing these formalities on arrival at airports in India in view of large and slow-moving queues tends to discourage this type of traffic from finding its way to this country. A passenger who has travelled for long hours in the plane is very sensitive and after he alights from the plane needs to be very courteously dealt with. The Committee would suggest that the AII Corporation should take this up with the Customs Department and examine if the procedure and the method of dealing could be improved so as to cause less irksomeness and inconvenience to the passengers.

XIII. ENGINEERING

(a) *Repairs and maintenance*

108. Before nationalization the workshop at Santa Cruz was common to both the Air India International Ltd. and the Air India Ltd. and was owned by the former. After nationalization it was decided to segregate the common workshop and the workshop itself was handed over to the AII after separating the equipment etc. intended only for the domestic services. This workshop carried out all the maintenance overhaul and repair work of engines, air frames, instruments, radio and such other accessories of the AII aircraft. Certain other types of overhaul work are carried out at foreign airlines workshops, for example, Super Constellation cabins, super charges etc. are overhauled by K.L.M. In such cases, the Corporation sends components of parts to Holland and the overhaul is done there. The type of work which has to be done by the manufacturers is got done by them on 'as and when required' basis.

109. The Committee note that the AII has recently reorganised its engineering organisation so as to secure better efficiency in its working. As a result, new hangers have been attached to workshops. It has also resulted in placing of the operations and engineering departments under one senior officer designated formerly as Operations and Engineering Manager and now as Technical Director. The Committee learn that the AII is also negotiating with the T.C.M. for making available to them two experts who could advise them on engineering problems.

On the question whether the common arrangement in the workshop at Santa Cruz could have been maintained even after nationalization, the Committee were told that as the type of work in the workshops of the two corporations was entirely different it might not have been advantageous to put the two under one management. Whatever the merits of a meticulous separation, the Committee do not desire at the present stage, to suggest that the steps already taken should be reversed.

(b) *Technical Training Scheme*

110. The Corporation has opened a Technical Training School. The object of the School is to give training to new technicians in efficient work on the Corporation's aircraft and equipment. This step was found necessary as technical personnel of non-aeronautical industries had to be engaged in the absence of properly trained men. The School is also charged with the responsibility of training technicians to become aeronautical engineers as well as for training them to hold

supervisory posts. The school has undertaken three schemes to ensure reasonable supply of technical personnel *viz.* (i) Apprentice Training Scheme (ii) In-plant Training Scheme (ii) Apprentice Mechanic Course.

The Apprentice Engineering Scheme is designed to impart theoretical and practical training required for aircraft maintenance engineers. The in-plant Training Scheme is designed to give theoretical and practical training to trainees through industrial institutes operated under the aegis of Ministry of Labour in aero-engine mechanics. The Apprentice Mechanic Course is designed to give basic training both theoretical and practical to the employees of the Corporation in non-skilled and semi-skilled classes. Besides, the school has a programme of undertaking refresher training, brush-up training, basic training and special training programmes in the near future.

111. While welcoming the establishment of such training schemes in the country, the Committee would, recommend that the Corporation should examine the feasibility of admitting persons other than the Corporation's employees to the courses of training. They realise that the utility of such training to outsiders may be limited in view of the fact that most of the work that these trainees will learn in the AII will pertain to aeronautics. But there should be opportunities to those who would like to be trained in those jobs. The Committee feel that in all nationalized undertakings there should be a liberal policy for providing an opportunity for training a certain number of outsiders even though they may not be strictly and directly required for the undertaking itself.

XIV STORES AND SUPPLIES

Purchase of Stores

112. The Committee understand that the A.I.I. purchases stores worth nearly Rs. 2 crores per year. The stores are mostly purchased from foreign countries. The machinery for purchases in this regard is broadly as below:

In the United States all purchases are made through agents *viz.*, M|S. Guy H. Evans Ltd., and M|S. Tata Incorporated who handle West Coast and East Coast transactions respectively. In U.K. the purchases are made direct. But this step has been taken only recently and till then the purchases were handled by Messrs. Tata Ltd. In other regions purchases are made through the Corporation's local representatives or by Headquarters direct. The purchase of aircraft is always handled directly and none of the agents gets any commission. At the Headquarters, all purchases are made by public tender procedure and this procedure is followed wherever suitable conditions exist. Otherwise tenders are received on invitation and purchases analysed on a competitive basis. In most cases, the indentor is consulted. When public tenders are invited, the Accounts Department is also kept in the picture.

The Committee were informed that the A.I.I. was also considering whether they could set up their own purchase organisation in U.K. and U.S.A. and that in this connection the A.I.I. was seeking the advice of the T.C.M. experts. The Committee consider that before setting up their own purchase organisations, the Corporation should examine the economic aspects of the proposal.

113. The Committee feel that the Corporation should stock-pile to a reasonable extent stores which are consumed in regular quantities and in respect of their periodical replenishments the Government's stores organisation should be utilised.

XV PERSONNEL

(a)*Strength of the staff*

114. The Corporation had on its pay roll 2,666 employees on the 31st March, 1955 divided as below:

Engineering	1326
Operations	391
Traffic	466
Accounts	204
Administrative	127
Stores	152
	2,666

115. As compared to the total employees soon after nationalisation, the number has registered an increase of 1038. This was in a large measure due to the fact that much of the work that the Air India Ltd. was performing as agent of the Air India International Ltd. fell back upon the Air India International Corporation when the two Corporations were set up.

(b) *Foreign Employees*

The A.I.I. has at present 375 foreign employees in their employ. Distribution of these employees within India and outside the country is given at Appendix VI.

116. The Committee are glad to note that it is the policy of the A.I.I. to replace foreigners by Indians wherever possible in the Corporation in India. The Corporation reviews the position at the time of renewing the contracts with foreign employees with a view to seeing if suitable substitutes among Indians are available. Regarding the establishments at outstations, the Committee realise that it might not be possible for the A.I.I. to post Indian staff there for various reasons such as local laws and regulations at certain places compelling the employment of the nationals of the respective countries.

(c) *Recruitment*

117. The method of recruitment followed by the A.I.I. is as below:—

At outstations, in categories other than those of Junior Officer and above in Traffic and comparable posts in other departments, recruitment is normally made locally and staff so recruited is not normally transferred to other stations. Exception is, however, made in the case of Technical Departments like Operations Engineering and Stores owing to technical difficulties.

Recruitment by the Headquarters is made in India and if necessary in foreign countries. When vacancies are filled otherwise than by promotion they are advertised and existing staff is also permitted to apply. Applications received from time to time are also considered along with those in answer to advertisements. Preference is given to those belonging to the Scheduled castes and scheduled tribes provided they have the minimum qualifications, even if a more suitable and better qualified candidate is available.

118. The Committee understand that the advertisements for the above recruitments are made only through English and some foreign newspapers. The Committee suggest that the advertisements may also be published in some Indian language newspapers with wide circulation.

(d) *Promotions*

119. In the A.I.I., promotion is considered on merit-*cum*-seniority basis. There is a Departmental Promotion Committee set up in each Department with representatives of the Personnel Office to consider promotions. At the Headquarters there is a Standing Selection Committee consisting of representatives of each Department for selection of personnel in the common categories.

(e) *Staff Welfare*

120. The Corporation has undertaken the construction of 500 tenements for its employees working at Bombay Airport. They are expected to be ready for occupation at the beginning of 1957.

121. Since 1955, the Corporation has also started a welfare fund for which an amount of Rs. 30,000 was allotted in 1955-56. The object of the fund was stated to be to finance welfare activities amongst members of the staff with specific reference to their families.

122. The Committee understand that to encourage staff to put forth their best efforts, a scheme for the grant of prizes to members, whose work, conduct and initiative is exceptionally good has been instituted since 1955. The scheme is restricted to staff whose emoluments do not exceed Rs. 600 per month. The Committee however, find that the scheme has not made much progress and that proper publicity has not been given to the scheme. They would recommend that the scheme should be given wide publicity amongst the staff and that they should be encouraged to take part in it.

123. The Committee notice that the Corporation has come across certain difficulties in the matter of labour relations. The Committee understand that there was an Air Corporation Employees' Union, 60 per cent of whose members were employees of the Air India International, but that the Corporation had refused to recognise the Union. The reluctance of the Corporation to recognise the Air Corporations' Employees' Union would appear to be due in the fact that it comprises of the employees of both the Corporations and the problems arising in the other Corporation may have repercussions in the relationship

between the Union and the A.I.I. The A.I.I., it was stated, would like to deal with a union of their employees so that they know the problems they have to deal with. The Committee understand that a solution has been put forward by the A.I.I., that the Union may have one Central Committee but two separate wings, one each for I.A.C. and A.I.I. The Committee would emphasise the necessity of settling the dispute in a spirit of cordiality and understanding at an early date.

(f) *Labour Relations Committee*

124. Air Corporations Rules, 1954 provides that there should be a Labour Relations Committee to advise the Corporation on all matters which relate to the welfare of the employees or which are likely to promote and secure good relations between the two.

The Committee understand that a Labour Relations Committee has been constituted in the Air India International Corporation since February, 1956. This Committee consists of six nominated representatives of the Corporation and an equal number of elected representatives of the employees. It is understood that various recommendations on important matters like standing orders, working canteens, staff quarters, staff transport and uniforms have been made by the Committee.

125. The Committee understand that while Works Committees have been constituted in the Indian Airlines Corporation, no such Committees exist in the A.I.I. The functions of the Labour Relations Committee, are practically the same as those of the Works Committees in their limited sphere (the Works Committees exist for individual workshops, whereas the Labour Relations Committee is intended for the whole Corporation.) Nevertheless, the Committee recommend that the Corporation should, consider setting up Works Committees at least in the workshops.

(g) *Training*

126. Training of engineering personnel has been dealt with in a previous chapter. In the case of pilots, the A.I.I. does not give *ab initio* training. The persons recruited are those who have had flying experience of certain prescribed hours. But after they are recruited, they are given fllght training on Constellations and Air link-training covering instrument flying, let down procedures, airways procedures etc. The co-pilot in the Corporation flies for about three years during which he may fly up to 2000 hours and after that he is considered for promotion as a captain on Constellation. For all pilots, commanders or co-pilots regular three monthly instructions checks are carried out on aircraft as well as on link training. A ground refresher course is given to cover all emergency exercises once a year. The Corporation also holds classes for pilots to enable them to get instrument rating certificates and navigator's licence.

127. The Navigator's training includes training in plotting all the various routes operated by the Corporation from the Navigations Logs submitted by the regular navigators, navigational and radio facility available, training in A.T.C. regulations, procedures and rules of the air, prohibited areas, consumption of fuel, heights chosen for flights, weather minima for take off and landing at various airports.

128. Besides the above, the A.I.I. has training arrangements with some foreign airlines, and so far pilots and commanders of the A.I.I. have been trained at Lockhead Aircraft Organisation, U.S.A. and K.L.M. Holland.

BALVANTRAY G. MEHTA,

The 13th December, 1956. *Chairman*,

NEW DELHI; Estimates Committee.

APPENDIX I

(*Vide* Para. 66)

Estimates of the revenue and expenditure for 1955-56 *and* 1956-57

S. No.	Particulars	1954-55 Actuals Rs. In lakhs	1955-56 Budget estimates Rs. in lakhs	1955-56 Revised estimates Rs. in lakhs	1956-57 Budget estimates Rs. in lakhs
1	2	3	4	5	6
1	Salaries & Wages including P. F. .	102.00	141.96	147.80	186.95
2	Fuel and oil . .	100.68	180.37	159.55	215.55
3	Landing fees . .	10.74	16.80	13.55	19.65
4	Handling fees paid to other Operators for service Handling.	8.12	7.25	13.00	18.90
5	Consumption of Stores & spares for maintenance and overhaul of the fleet.	36.00	61.00	55.70	75.85
6	Aggregate expense on operation of charters.	2.98	10.00	3.20	4.50
7	*Insurance*				
	(*a*) of aircraft .	18.23	28.78	29.60	28.90
	(*b*) Aircrew and Ground staff.	0.72	0.51	0.70	1.10
	(*c*) For legal liability and others.	2.97	4.68	3.80	4.30
8	*Depreciation*				
	(*a*) On aircraft fleet	35.85	65.87	62.40	68.35
	(*b*) On other assets	5.15	5.75	7.15	8.70
	(*c*) On spare parts and major components (Obsolescence.	13.75	17.15	17.15	21.15

1	2	3	4	5	6
9	*Publicity and Advertising*—	14.50	25.00	25.00	27.50
10	Passenger service —cost of food and other amenities.	18.98	25.64	23.00	29.10
11	Other sundry departmental expenses, such as rents, rates, taxes, electricity charges, telephones, telegrams, travelling expenses, Printing and Stationery etc.	51.69	53.61	62.95	70.00
12	Commission to agents	28.01	41.44	38.15	46.80
13	Total operating expenses	450.37	696.41	662.70	827.30
14	Interest on bonds	8.54	9.00	9.17	8.89
15	Provision for deferred taxation.	10.80	1.58	0.58	0.54
		469.71	706.99	672.45	836.73
	PROFIT	13.95	2.01	0 75	0.72
	Total	483.66	709.00	673.20	837.45

APPENDIX II

(*Vide* Para 68)

AIR INDIA INTERNATIONAL

Summary of the Capital Budget of Air India International Corporation for 1955-56 *and* 1956-57

S. No.	Nature of Capital Expenditure	Revised Estimates for 1955-56 (Lakhs of Rs.)	Estimated Expenditure during 1956-57 (Lakhs of Rs.)	Remarks (56-57)
1	2	3	4	5
1	Purchase of three 1049-E Super Constellation Aircraft, Spare Engines, Spare Parts, allied Tools and Equipment.	54.98*		
2	Purchase of three 1049-G Super Constellation Aircraft, Spare Engines, Spare Parts, allied Tools & Equipment.	122.00	330.00	Total estimated cost of the Project is Rs. 450 lakhs.
3	Staff Housing Colony and other Projects.	33.50	37.00	Total estimated cost of the Project is Rs. 67 lakhs.
4	Installation of Berths On Super Constellation.	3.50	—	
5	Construction of centralised Workshops, etc.	..	25.00	Total estimated cost of the Project is Rs. 38.50 lakhs.

*Expenditure on the 1049-E Project :—

	Rs. lakhs
In 1953-54 . .	28.20
In 1954-55 . .	306·82
In 1955-56 . .	54.98
	390.00

1	2	3	4	5
6	Construction of a "Test Bed" for Testing the engines.		16.00	Total estimated cost of the Project is Rs. 16.00 lakhs.
7	Office Equipment & Furnitures.	11.40	5.45	
8	Motor Vehicles	9.30	4.52	
9	Other Equipment	28.00	24.79	
		262.68	442.76	

APPENDIX III

(*Vide* para 69)

Profit and Loss accounts for the Period from 1st Aug. 1953 to 31st March, 1954

		Rs.	Rs.	Rs.
1	Salaries & Wages	45,55,709		
	Less; Cost of Labour Capitalised on additions to Corporation's assests .	1,27,383	44,28,326	
2	Corporation's contribution to Provident Fund.		2,22,467	
3	Fuel and oil		60,86,291	
4	Operational Expenses including Hangarage etc.		10,23,428	
5	Maintenance and Engineering including Spare parts and Stores Consumed		20,45,831	
6	Traffic Department Expenses . .		14,68,712	
7	Commission paid to Bookin Agents		15,23,904	
8	Passenger Service including Food, Hotel Accommodation and Transport.		8,98,519	
9	Publicity and Advertising . . .		6,75,115	
10	Office expenses		2,33,334	
11	Insurance Premia :			
	(*a*) Of Aircraft . .	9,52,090		
	(*b*) For Aircrew and Ground staff etc. .	46,324		
	(*c*) For Legal liability and other Assets . .	1,58,601	11,57,015	
12	Board of Members Fees and Expenses		6,522	
13	Auditors Fees		4,500	
14	Debenture Interest etc. . . .		32,537	
15	Technical Manager's Fees . . .		75,000	
16	Loss on Assets sold or scrapped .		825	
17	Provision for Obsolescence of Spares		6,00,000	

		Rs.	Rs,
18	Depreciation	16,00,000	
19	Deferred Expenditure written off .	8,015	
20	Total Operating Expenses . . .		2,20,90,341
Non-Operating Expenses :			
21	Interest on Air-India International Corporation Bond.	6,00,000	
22	Provision for Deffered Taxation .	5,25,000	11,25,000
23	Total Expenditure		2,32,15,341
24	Profits for the period carried to Appropriation Account		7,04,966
	Total Rupees .		2,39,20,307
25	Revenue earned from carriage of traffic including mail and Charter Revenue	2,35,07,034	
26	Commission earned from Other Airlines	1,35,720	
27	Handling and servicing Receipts .	1,65,571	
28	Miscellaneous Receipts . . .	96,769	
29	Interest	15,213	

APPENDIX IV

(*Vide* para 69)

Profit and Loss Account for the year ended 31*st March*, 1955

	Rs.	Rs.
1. A. Flying Operations		
(*a*) Pay, Allowances & Provident Fund Contributions.	22,03,869	
(*b*) Personnel Insurance . . .	43,705	
(*c*) Other Staff Costs	5,20,394	
(*d*) Fuel & Oil	98,45,832	
(*e*) Aircraft Insurance . . .	18,23,418	
(*f*) Landing Fees	8,75,550	
(*g*) Hire of Aircraft . . .	3,99,715	
(*h*) Other Operational Expenses . .	2,71,966	
		1,59,84,449
B. Training		
(*a*) Pay, Allowances & Provident Fund Contributions.	74,924	
(*b*) Fuel, Landing Fees and Cost of Materials.	6,73,804	
(*c*) Training by third Parties . .	8,330	
		7,57,058
2. Flight Equipment Maintenance & Overhaul :		
(*a*) Pay, allowances & Provident Fund Contributions.	39,55,089	
(*b*) Personnel Insurance . . .	3,913	
(*c*) Other Staff Costs	1,66,914	
(*d*) Materials consumed including outside repairs and services	35,78,900	
(*e*) Insurance of Equipment and Stores .	88,615	
(*f*) Other Engineering Expenses . .	4,63,468	
		82,56,959
3. Traffic Sales & Publicity		
(*a*) Pay, Allowances and Provident Fund Contributions.	20,41,385	
(*b*) Personnel Insurance . . .	9,915	
(*c*) Other Staff costs	3,25,600	

	Rs.	
(*d*) Booking Agency Commission . .	28,00,615	
(*e*) Publicity and Advertising . .	14,50,096	
(*f*) Charge for handling by other Operators	8,28,962	
(*g*) Other Traffic Expenses including Rent, Rates, Printing & Stationery, Postage & Telegrams, Telephones etc.	16,18,597	
		90,75,170
4. Passenger & Cargo Services		
(*a*) Pay, Allowances & Provident Fund Contributions.	5,85,720	
(*b*) Personnel Insurance . . .	13,676	
(*c*) Other Staff costs	2,50,309	
(*d*) Food Service including Hotel Accommodation.	11,41,280	
(*e*) Liability Insurance	1,77,148	
(*f*) Other Expenses	3,99,346	
		25,67,479
5. Surface Transport		
(*a*) Pay, Allowances and Provident Fund Contributions.	2,05,341	
(*b*) Insurance	23,247	
(*c*) Other Staff Costs . . .	8,791	
(*d*) Fuel & oil	96,882	
(*e*) Materials and Outside Repairs . .	1,05,896	
(*f*) Hire of Transport . . .	78,650	
(*g*) Other Expenses . . .	44,002	
		5,62,989
6. General Administration.		
(*a*) Pay, Allowances and Provident Fund Contributions.	11,49,898	
(*b*) Insurance	8,016	
(*c*) Other Staff Costs	68,896	
(*d*) Office Expenses	3,02,695	
(*e*) Interest	1,15,055	
(*f*) Board Members' Fees & Expenses .	10,730	
(*g*) Audit Fees and Expenses . .	31,600	
(*h*) Staff Welfare Expenses . . .	2,48,408	
(*i*) Development Expenditure written off .	3,00,000	
		22,35,298

			Rs.	
7.	Net Loss on Assets sold or scrapped		10,646	
8.	Provision for Doubtful Debts		76,000	
9.	Depreciation		41,00,000	
10.	Obsolescene of Spares		13,75,000	
11.	Total operating expenses		4,50,01,048	
	Non-Operating Expenses			
12.	Interest on Debentures		36,160	
13.	Interest on Air India International Corporation Bonds	8,72,270		
	Less Provision made in excess during 1953-54.	18,487		
		8,53,783		
14.	Provision for Deferred taxation	10,80,000		
			19,69,943	
15.	Total Expenses		4,69,70,991	
16.	Profit for the year carried to appropriation Account.		13,95,121	
				4,83,66,112
17.	Traffic Revenue :			
	(*a*) Passengers		3,29,32,956	
	(*b*) Excess Baggage		11,21,228	
	(*c*) Mail		85,77,210	
	(*d*) Freight		34,27,614	
	(*e*) Charters		6,78,895	
				4,67,37,903
18.	Other Revenue :			
	(*a*) Commission earned from other Air Lines		4,36,664	
	(*b*) Handling & Servicing Receipts		6,19,794	
	(*c*) Miscellaneous Revenue		4,85,616	
	(*d*) Interest		86,135	16,28,209
19.	Total Revenue			4,83,66,112

APPENDIX V

(*Vide* para 82)

Routes and Services as on 25-5-1956

INDIA—U.K. ROUTE

Bombay To	Weekly Frequency	Calcutta To	Weekly Frequency	Delhi To	Weekly Frequency
London	6	London	1	London	4
Paris	2	Rome	1	Paris	1
Prague	1	Cairo	1	Prague	1
Geneva	2			D' dorf	1
Zurich	1			Geneva	1
D' dorf	2			Rome	3
Rome	3			Cairo	3
Cairo	4			Beirut	1
Beirut	2				
Damascus	1				

INDIA—EAST AFRICA ROUTE

Bombay To	Weekly Frequency
Nairobi	2
Aden	2
Karachi	1

INDIA—SINGAPUR ROUTE

Bombay To	Weekly Frequency
Singapore	1
Madras	1

INDIA—JAPAN ROUTE

Bombay To	Weekly Frequency
Tokyo	2
Hongkong	2
Bangkok	2
Calcutta	2

APPENDIX VI

(*Vide* para 115)

Statement showing non-Indian staff of Air India International at Stations in India and outstations

Station	Non-Indian Staff
I. In India :—	
Santa Cruz and Bombay	4
II. Outstations :—	
Aden	17
Alexandria	3
Bangkok	30
Beirut	9
Cairo	51
Colombo	2
Damascus	1
Dusseldorf	15
Durban	3
Geneva	22
Hamburg	2
Hongkong	18
Karachi	..
London	105
Milan	2
Nairobi	14
Osaka	2
Paris	17
Prague	2
Rome	17
Singapore	15
Stuttgart	2
Tokyo	14
Zurich	8
TOTAL	371

APPENDIX VII

Statement showing the summary of Conclusions/recommendations of the Estimates Committee contained in the Report

Sl. No.	Para No.	Summary of conclusions/Recommendations of the Committee
1	2	3
1	12	The authorities in charge of the Air Corporations should, at their level, proceed entirely on business and commercial principles, while the authority of the Government should prevail only where overriding considerations of national policy over commercial principles arise. Within those limits, the Corporation should not only retain its autonomy technically but should also be so constituted as to possess the business outlook.
2	13	The Committee feel that the presence of the Secretary, Communications Ministry on the Boards of I. A. C. and the A. I. I. could only tend to a blurring of his responsibilities, which should be avoided. The presence of the Secretary to Government on the Board of a Corporation or a public utility undertaking, particularly one which runs at a loss, would result in his becoming a party to its state of affairs and management and consequently he will find it difficult to retain an objective outlook on major issues, such as the regulation and management of economic policies which a Secretary to Government should possess.
3	15	The Committee have noticed an increasing tendency on the part of Government to appoint Secretariat officials as members of Corporation or of Boards of Directors and to expect them to perform such functions concurrently with their Secretariat duties. In their Sixteenth Report, the Committee have referred to the very limited usefulness of such bodies. They have further emphasised in their Report on the B. E. Ltd. the necessity of demarcating clearly the Secretariat functions of laying down policies and the exectutive functions of implementing them and also the necessity to avoid associating secretariat officials with the actual execution

1	2	3
		of policies laid down by them, so as to enable them to retain the necessary objective outlook. they reiterate here the recommendations made by them in these reports.
4	16-17	There is a tendency on the part of the Corporations, especially the I. A. C. as at present constituted to rely upon the D. G. C. A. to an extent more than is necessary. As the guardian of the law of Civil Aviation which he has to enforce on the Corporation, the D. G. C. A. should not share the responsibility for the conduct of affairs of the Corporation. Steps should therefore be taken to rectify immediately the anomalies and inconsistencies which have resulted from the concentration of all responsibilities in one officer.
5	23	The Committee cannot over-emphasize the necessity of close co-operation between civil and military aviation whether in the matter of training workshop facilities or of research. However they are not quite satisfied whether it would be practicable to have an Air Ministry for dealing with both civil and military aviation but they would commend the objects underlying the proposal and would further suggest that close co-ordination and co-operation between the two be effected and ensured by Government at every stage.
6	25	The Committee recommend that civil aviation and Air Corporations should be a responsibility of the Transport Ministry as in U. K. and not of the Communications Ministry and that this change be given effect to at an early date. In this connection they would also like to reiterate the recommendation made by the Estimates Committee in para 42 of their Nineteenth Report that the Transport Ministry should be separated from the Railway Ministry and placed under the charge of a separate Minister for Transport.
7	27	The Committee consider that non-official representation on Air Transport Council is inadequate. They recommend that as a rule such advisory councils should have a substantial non-official element in them.

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8	29	The Government should have set a time limit for the submission by the Air Transport Council of their report on fares and freight charges specially in view of the urgency of the matter which very vitally concerns the economic functioning of the Corporation.
9	30	The question of rates for the carriage of mails payable to the Corporation by the Posts and Telegraphs Department may also be referred to the Council even at this stage since mails form an important source of revenue to the Corporation. As far as possible, the views of the Council should be obtained on all problems which are capable of being referred to it under the terms of its constitution and that with this object in view its machinery should be tuned to work expeditiously. The Government should lay down definite criteria for referring problems to the Council. All problems satisfying the criteria must be referred to the Council as and when they arise.
10	33	As the integration of domestic services has been completed, it should be possible for Government to review the question of common Corporation for both the I.A.C. and the A.I.I.
11	34-35	If the Government come to a conclusion that separate Corporations should continue, they should examine the feasibility of a common Board for two Corporations, particularly as at present the Boards of the two Corporations have seven members out of nine in common. The common Board should comprise of a common Chairman, the General Manager of both the Corporations besides other common members.
12	38	The Committee feel that thee is considerable scope and justification for the existence of independent non-scheduled operators in this country.
13	39	If the independent operators are to help expansion of services, particularly on routes which the nationalised Corporations are not in a position to operate, it is necessary and desirable that they should clearly know to what extent and how long they would be permitted to operate the services.

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14	40	A liberal attitude should be followed towards independent operators and if an independent operator satisfies the Government of his capacity to operate a service on a route on which the nationalised corporations are not in a position to extend their services, there should be no objection to grant a permit to the independent operator over that route.
15	46	There should be a Council for air research to direct research and ensure co-ordination with a view to making the most effective use of the available technical talent.
16	48	The Committee do not see why a certificate by the D.G.C.A. to the effect that the spare and stores in question are aircraft items and are specifically required for aircraft purposes should not suffice, as recommended by the Air Transport Enquiry Committee. On the authority of such certificate, the customs authority should be in a position to give clearance after charging thereon duty at the appropriate rates.
17	49	The Committee suggest that :— (*a*) There should be a 'pass or note' system in regard to the Customs Clearance of Aircraft material, *i.e.*, as soon as invoices are received, the customs authority should allow the Corporations to clear the goods on the strength of an indemnity bond, subject to assessment at a later stage. It is understood that this facility was enjoyed by the Air India Ltd. in the past. If so, there should be no difficulty in extending the same facility to the Air Corporations. (*b*) Assessors may go over to the airport and complete the assessment on receiving notice that goods have arrived by air.
18	50	Government should make suitable regulations to prohibit persons who have retired or have resigned from Government service, especially those who are in possession of valuable information, from accepting service under foreign Governments or nationalised undertakings in foreign countries without the prior approval of the Government.

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19	51	Government should consider the feasibility of issuing instructions to the effect that when an employee resigns from one State undertaking and seeks employment in other, the latter should obtain a recommendation from the former in regard to his fitness for the subsequent employment.
20	55	A Board of Management consisting of the Chief Executive and his principal heads of departments should be appointed for the efficient conduct of the day to day business of the Corporation and suitable internal rules of procedure should be framed for the purpose.
21	71	The Committee consider that the financial prospects of the Corporation are not entirely bright. While expansion of services and additional equipment may increase its capacity for earnings, such projects will at the same time increase its expenditure, such as on man-power, maintenance, training, depreciation and interest on capital. Increasing competition will also require the provision of higher standards of passenger service. The Corporation should not, therefore, relax in its efforts to keep down unnecessary expenditure to control costs and to attract traffic.
22	74	There should be a continuous review of the methods of cost accounting and the results. International air transport is a highly competitive industry, demanding advance planning and detailed check on results for successful management. The Corporation should, therefore, keep in touch with the system of cost control exercised by the modern operators and keep its own system sufficiently modern.
23	76	The Committee fail to see the need for the additional audit of the accounts by a firm of Chartered-Accountants, which has been voluntarily arranged by the Corporation when there is a full-fledged internal audit department and the external audit conducted by the Comptroller and Auditor General is much wider in its scope than that done by commercial auditors.
24	78	There are certain cases where third party claims are not strictly covered by the terms and conditions of insurance relating to liability. in

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		order to meet such liabilities, a proposal has been made to earmark annually a sum of Rs. 5 lakhs for establishing a fund pursuant to the rules made under section 44(2)(c) of the Air Corporations Act. An early decision should be reached in the matter.
25	80	A cautious policy should be followed in the matter of the Insurance Fund which is being built up and out of which a portion of aircraft risks are proposed to be covered, when the fund is sufficiently built up.
26	81	The policy regarding insurance of properties belonging to State controlled industries stated to be under consideration by the Ministry of Production should be made applicable uniformly for all State controlled industries under all the Ministries of the Government.
27	84	With the coming in of jet aircraft ordered by the Air India International, it should be possible for the Corporation to extend its services to New York either from London or from Tokyo. For this purpose, every step should be taken to study the traffic potential and trends of traffic increase on the two routes. Action may also be taken in good time to enter into bilateral air agreements.
28	90	The Committee are glad to note that A.I.I. has made a start in the direction of having modern operational control, by having a movement control room in Bombay whereby the movements of all their aircraft are watched and charted.
29	96	The Committee are glad to note that the Corporation is playing an increasing part in the carriage of the country's international air traffic.
30	100	The Committee find that the Corporation is not able to undertake additional non-scheduled freight traffic for want of suitable aircraft. They suggest the feasibility of utilising the Skymasters of the I.A.C. when they are replaced by Viscounts, for international non-scheduled freight traffic may be examined in consultation with the I.A.C.

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31	104	The Committee feel that as regards traffic originating in this country, the Corporation should periodically survey and analyse the traffic carried by all the airlines with the extent carried by it and from time to time take measures to capture more and more of the traffic. Ordinarily, the Corporation should not find it difficult to get the patronage of the Indian nationals.
32	105	The Committee are glad to note that by and large the facilities aboard and aground offered by the Air India International are found by passengers to be comparable with those of other International air lines. However, suitable steps should be taken by the Corporation to improve the quality of food served and also to cater to the differing tastes various users of the Corporation's services. The Corporation should ensure that high standards of catering are uniformly maintained.
33	106	Air India International should examine the case for providing accommodation facilities at airports used by them in India and if it is not possible for them to do the needful, the feasibility of providing slumberettes in airport buildings may be considered so that passengers who are detained at the airports due to postponement of flight could relax to some extent.
34	107	The Air India International Corporation should take up with the customs department the question of inconvenience and irritation caused to passengers by the present procedure in the matter of customs checks and examine if the method of dealing with passengers could be improved so as to cause less irksomeness and inconvenience.
35	111	While welcoming the establishment of the technical training schemes, the Committee recommend that the Corporation should examine the feasibility of admitting persons other than the Corporation's employees also to the courses of training, though most of the courses of training pertain to aeronautics and as such will be of limited utility to outsiders, there should be opportunities to those who might like to be trained in those jobs.

1	2	3
		In all nationalised undertakings, there should be a liberal policy for providing opportunities for training to certain number of persons even though they may not be strictly and directly required for the undertaking.
36	112	Before setting up their own purchasing organisations in U.K. and the U S A. the Corporation should examine the economic aspect of the proposals.
37	113	The Corporation should stock-pile to a reasonable extent stores which are consumed in regular quantities and in respect of their periodical replenishments. Government's stores purchase organisation should be utilised.
38	116	The Committee are glad to note that it is the policy of the A.I.I. to replace foreigners by Indians wherever possible in the Corporation in India.
39	118	The Committee understand that advertisements for recruitment etc. in the A.I.I. is done through English and some foreign newspapers. The Committee suggest that the advertisements may also be published in some Indian language newspapers with wide circulation.
40	122	The Committee recommend that the scheme which has been instituted for grant of prizes to members whose work, conduct and initiative is exceptionally good in the A.I.I. should be given wide publicity among the staff who should be encouraged to take part in it.
41	123	The Committee emphasise the necessity of settling the dispute between the A.I.I. employees and the Corporation in the matter of recognition of employees' union in a spirit of cordiality and understanding at an early date.
42	125	The Committee note that Works Committee do not exist in the A.I.I. Even though the functions of the Labour Relations Committee are practically the same as those of the Works Committees in their limited sphere (the Works Committee s are for individual workshops whereas the Labour Relations Committee is intended for the whole Torporation). The Committee recommend that the Corporation should consider setting up of Works Committee in A.I.I. at least in the workshops.

GIPND—LS.—I—2136LS—21-12-56.—1500